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NEW CURRENTS IN THE TAIWAN STRAITS?

Dr. Robert D'A. Henderson
Senior Analyst, Global Affairs,
R+E+A Group, Ottawa
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In his National Day message on 10 October, 2002, Taiwan President Chen Shui-bian urged the communist leadership of the People's Republic of China (PRC) "to remove immediately the 400 missiles deployed across the Taiwan Straits and to openly renounce the use of force against Taiwan." He also called for the re-opening of the cross-straits dialogue between the two countries.[1] Shortly afterwards, the Legislative Yuan (national legislature) in Taipei unanimously passed a resolution in support of these two positions.

Since the communist People's Liberation Army (PLA) seizure of the mainland in 1949, it has been the policy of the Chinese Communist Party (CCP) to "reunify" the island of Taiwan with the mainland. The leadership in Beijing views Taiwan as a "renegade province" of China and any political activities for separation or independence has been condemned as "splitism". Taiwan is seen as the last "national humiliation" – following reunification of the British colony of Hong Kong in July of 1997 and the Portuguese territory of Macau in December of 1999.

The issue of "Taiwan reunification" became both a slogan and a patriotic duty, first under Deng Xiaoping (core of the 2nd Generation Leadership) and under Jiang Zemin (core of the 3rd Generation Leadership). President Jiang has repeatedly reaffirmed that the goal was to achieve national reunification through peaceful means but that the Chinese government "[did] not undertake to give up the use of force" to obtain that goal.

The Beijing government's basic pre-condition for economic and political talks – to "discuss anything" – between China and Taiwan is that the current Democratic Progressive Party (DPP) government in Taiwan must revert to the earlier Nationalist (KMT) government's acceptance of the "One China" principle. The latter holds that there is only one China that includes Taiwan, while leaving unstated whether the government in Beijing or in Taipei is the legitimate government.

Taiwan's New International Identity

Over the past few decades there has been an increasing sense of identity on Taiwan. Its rapid economic development has made it into the 17th largest economy in the world and the 15th largest trading country. Taiwan now ranked 4th among the world's producers of information technology (IT) hardware and semiconductors, and it has

The Canadian Institute of Strategic Studies
10 Adelaide Street East, Suite 400, Toronto, Ontario, M5C 1J3
Tel: (416) 322-8128; Fax: (416) 322-8129 E-mail: info@ciss.ca
Visit our Website at http://www.ciss.ca

Military Balance 2002	China	Taiwan
Armed Forces	2.27 million (est.)	370,000 (est.)
Main Battle Tanks	7,010	926
Warships	63	32
Diesel Submarines	62	4
Nuclear Submarines	6	0
Combat Aircraft	3,250	598
Short & Medium Range Missiles (range across Taiwan Straight)	350-400	some
Anti-Missile Batteries	30	6

Source, Military Balance 2002-2003 (London: IISS, Autumn 2002).

become a leading global exporter of high-tech manufactured goods. At the same time, Taiwan has recently established a higher degree of political legitimacy by virtue of a functioning democratic system with competing political parties and free elections.

Continuing China-Taiwan Arms Build-up

Throughout the 1990s China and Taiwan engaged in major upgrades of their advanced weapons systems, with China's purchases coming from Russia and Taiwan's from the United States and France.[2] This arms competition can be directly attributed to the Chinese leadership's twin policy goals: (1) to confirm China's major power status with a well-equipped, modern armed forces, and; (2) to attain sufficient high-tech-equipped military forces to be able, at some time in the future, to seize Taiwan. China's military modernization is intended to re-structure and re-equip of its PLA armed forces to establish a more professional force capable of ensuring the ultimate reunification of Taiwan. It is also intended to deter any foreign (read American) interference in what the CCP leaders see as China's "internal affairs".

Taiwan, on the other hand, has been purchasing advanced defensive weapons systems to oppose the decades-old threat of a massive military assault from the mainland.[3] In April of 2001 US President George W. Bush agreed to sell several advanced defensive weapons systems to Taiwan under the Taiwan Relations Act – the American law that regulates US relations with Taiwan in the absence of formal diplomatic ties. This future arms sale included a package of up-graded but older *Kidd*-class destroyers, anti-submarine aircraft, long-range early-warning radar, and conventional submarines. To Taipei's disappointment, the deal did not include the larger *Arleigh Burke*-class destroyers with state-of-the-art AEGIS radar and battle management systems. China had vehemently opposed this transfer.[4]

Growing Cross-Straits Economic Integration

Over the past decade, Taiwanese businesses have invested almost US$100-billion in the mainland economy - primarily in high-tech enterprises and other manufacturing industries. While on the one hand these investments have helped maintain the global competitiveness of Taiwanese businesses by reducing their labour and infrastructure costs, the transfer of Taiwanese capital and technology has boosted the economic growth and general prosperity on the mainland, though mostly in the coastal provinces. It has also increased the economic integration between the Chinese and Taiwanese economies. These economic links will likely be further regulated and solidified following China's entry into the World Trade Organisation (WTO) in December 2001, followed by Taiwan's in January 2002.

There is also the issue of how China and Taiwan will interact. "Direct links" have been banned under Taiwan law since 1949, although indirect links through third places – such as Hong Kong, Macau or third countries – have existed for decades. During the 1990s cross-straits talks began in third countries on the "three transport links" - direct trade, direct air and sea transport, and direct postage services. But in 1999, these talks were broken off as Taiwan would not accept China's precondition of the continuing acceptance of the "One China" principle.

President Chen Shui-bian has repeatedly called for a renewal of these "direct links" talks, but both the Taiwan National Security Bureau and the Ministry of Defense have expressed reservations on security grounds. In a recent poll,[5] a majority of the Taiwanese surveyed favoured ending the decades-old ban on direct links with the mainland, but on condition that national security and dignity were ensured.

China's High-Risk Economy

In recent years, the Chinese economy has maintained an average annual growth rate of roughly seven percent. To maintain this level of performance, Beijing must deal with at least four hurdles, according to the People's Daily.[6] These include an end to the chronically-weak operations of many state-owned enterprises (SOEs), the high number of bad loans held by state-owned banks (many linked to SOEs), the growing economic gap between prosperous coastal provinces and the underdeveloped hinterland provinces, and the disruptive impact - particularly in agriculture and services sectors - of China's entry into the WTO.

Many of China's industrial areas, particularly in the northeast, are filled with low-tech industries plagued by high-pollution and environmental problems. The cost of maintaining these "rust belts" hampers government efforts to deal with the growing disparity between the better-paid workers in the high-tech-oriented coastal provinces and the poorer farming population in the hinterland provinces. This widening gap has been accompanied by a series of socio-economic problems, including rising unemployment, growing rural-to-urban migration, and rising AIDS infection rates.

China's banking system is also in deep trouble due to the fact that the state-owned banks were required to lend money to SOEs that had little chance of repaying the loans. These bad loans have the potential to undermined country's entire financial system.[7] In addition, China has been an oil-importing country since 1995, with 30% of its petroleum requirements being served through the Middle East. Any major disruption of its energy sup-

plies would severely undermine efforts to maintain the current high economic growth rate.

China's Transition to the 4th Generation Leadership

On 14 November 2002, the 16th CCP party congress ended with the selection of a new party secretary-general, as well as new members of the Central Committee and its Politburo and the Standing Committee of the Politburo. Those selected will serve for a five-year term.[8] The 3rd Generation leader, Jiang Zemin, stepped down as secretary-general, and deputy party leader Hu Jintao was chosen as 4th Generation leader. (Mao Zedong had been the 1st Generation leader and was succeeded by Deng Xiaoping.) It is expected that Jiang Zemin will similarly pass over the post of state president to Hu Jintao during the National People's Congress in March of 2003. But Jiang did retain his third senior post as chairman of the Central Military Commission (CMC). As commission chairman, Jiang is effectively the commander-in-chief of the Chinese armed forces – as the CMC has command over all PLA forces, which includes the army, navy, air force, and strategic missile forces.

International media coverage of the 16th party congress focused primarily on the transfer of power from the 3rd Generation to the 4th Generation leaders. What may have in fact happened was an informal division of political power within the Chinese party leadership – at least for the next few years. Jiang Zemin, as CMC chairman and commander-in-chief of the PLA armed forces, will direct China's policies on national security affairs, foreign affairs, and Taiwan affairs. Meanwhile Hu Jintao, as CCP secretary-general and soon to be state president, will direct China's economic development, socio-economic policies, and possibly internal security matters.

During the US-China summit at President Bush's Crawford, Texas ranch in October of 2002, President Jiang – when asked about the Taiwan issue – reiterated China's policy of peaceful reunification under a "one country, two systems" model, as was the case for Hong Kong. But he did not renounce the use of force to settle the matter. For his part, Bush declared that the United States stood by the "One China" principle, and that the issue of reunification should be resolved peacefully. He went on to state that his government "intended to make sure that the issue is resolved peacefully, and that includes making it clear that we do not support independence [for Taiwan]."[9]

Global Impact of a Regional Conflict

It has often been suggested that by 2005, or shortly thereafter, the PLA armed forces will have acquired sufficient advanced weaponry to overcome Taiwan's air and sea superiority over the straits. But will China use military force to seize the island?

Over the past decade, Chinese military planning and arms acquisition has been based on modernising the PLA armed forces to be able to fight a local conflict "under high-tech conditions" using asymmetrical warfare. What this means is that PLA military commanders have been acquiring advanced offensive weapons systems that could overcome Taiwan's defensive forces, while at the same time having sufficient offensive high-tech weapons to deter a probable US military intervention.[10] Any cross-strait military conflict would most likely involve the United States, and possibly Japan as well.

But any conflict across the Taiwan Straits would disrupt – if not totally halt – all cross-strait trade and freeze all financial and investment activities in Mainland China and Taiwan. It would block all oil shipments through the Straits to northern China, South Korea and Japan. It would impact on trading relations with all the other countries in the Asian region. And should such a conflict – or even a Chinese naval blockade of the island – last any period of time, it would depress the economies of China, Taiwan, and probably the entire region. It could even disrupt trade on a global scale.

The environmental impact of such a conflict could be catastrophic, as there are nuclear power plants on either side of the Taiwan Straits. This includes three nuclear power facilities in Taiwan (consisting of six operational reactors) and three nuclear power facilities in the Chinese coastal provinces (consisting of five operational reactors). In addition, there are six reactors under construction in China, including two Canadian Candu powerplants near Shanghai. Any cross-straits military conflict could quickly become an environmental disaster if nuclear power facilities were targeted.

A particularly unnerving scenario that is seldom discussed is that the Mainland China could fragment following a regional conflict between Chinese PLA forces and Taiwan's armed forces. In view of the pressures already on the Chinese economy, the political and financial strains of a cross-straits conflict could weaken or fracture the communist party's control, leading to widespread social upheaval and possibly anarchy.

Prospects in 2003

The year 2000 saw a historic event in Taiwan: the democratic transition of government. In May an opposition candidate (DDP member Chen Shui-bian) was elected state president in a multi-party election. While the Beijing leadership has continually denounced and warned the new DPP government against declaring Taiwan an independent country, China has not initiated any military activities that directly threaten the island. Despite real prospects for tensions in the short-term and more tensions in the longer-term, it is likely that room will be found to open direct links across the straits.

Although the Chinese party leadership is not prepared to drop the threat of using military force to seize the island, there is little likelihood of military brinkmanship across the Taiwan Straits because of significant constraints on the Chinese government.

Constraint # 1: Taiwanese businesses have extremely large investments in businesses and high-tech enterprises on the mainland, they are being encouraged by the Chinese government to make further investments. There is little doubt that Taiwanese and other foreign investors would postpone any new investments on the mainland if there were signs of rising tensions or a possible cross-straits crisis.

Constraint # 2: China and Taiwan, having joined the World Trade Organisation, will have to increasingly deal with each other in terms of the WTO regulations and arbitration procedures. This international membership will act to constrain confrontational activities of both countries.

Constraint # 3: In July of 2002 Beijing was awarded the honour of hosting of the 2008 Summer Olympics – something which for which the Chinese leadership had lobbied long and hard. The CCP leadership sees the

hosting of the forthcoming Olympic Games as recognition of China's world status and a way of harnessing Chinese nationalism in a manner conducive to its goal of maintaining political control over the mainland.

Despite these mitigating factors, there are a number of questions regarding the new Chinese leadership that still lack firm answers. These will also influence the likelihood of armed conflict across the straits.

First, Jiang Zemin was reconfirmed at the 16th party congress as chairman of the nine-member Central Military Commission. While Hu Jintao retained his post as the ranking vice-chairman (of three), the seven new members are PLA generals, a majority of whom are reputed to be Jiang supporters. This PLA dominance over the CMC will support the continuation of the PLA modernization.[11] Will it also support a more aggressive stance towards Taiwan and reunification?

Second, will new party leader Hu Jintao – soon to become state president – exercise significant power or will he be limited to the role of a "senior mediator" between the various party factions? The recent appointments of a number of protégés of Jiang Zemin to senior posts in the central party structures may have been made to restrict Hu's power and to ensure the continuation of Jiang's influence on major issues - particularly Taiwan.

Third, regardless of external constraints, will the 4th Generation communist leadership have to pursue an aggressive reunification policy towards Taiwan to maintain a sense of unity among CCP senior party officials and PLA commanders? Is such a policy essential to encourage popular support for the communist government in a period of major social and economic upheaval?

It seems certain that the 4th Generation party leaders will maintain the CCP's long-time goal of reunification of Taiwan. But they will do so through a two-prong strategy of closer economic and infrastructure integration on the one hand, and of public denouncements and military threats on the other. The Chinese economy requires Taiwanese high-tech assets and financial resources. At the same time, the CCP leadership requires a continuously growing economy and popular mobilization (around such issues as Taiwan reunification) to maintain its position of power on the mainland.

Over the next five years - the period of the newly-selected party 16th Central Committee - the goal of reclaiming Taiwan will remain one of the highest priorities of the 4th Generation leadership, with Hu Jintao at its core and, for at least the next couple years, Jiang Zemin, the PLA military command, and the retired 3rd Generation party leaders in the background. The Taiwan question will continue to be a Chinese rallying cry for party cadres and PLA commanders, and quite possibly the essential key to the survival of the Chinese communist leaders in the 21st century.[12]

Conclusion

The current cross-straits situation can best be characterized as rapidly-growing economic ties matched by escalating arms build-up by China and Taiwan. In such a situation, there will be continuing tensions but not necessarily military confrontation. To a large extent, cross-straits relations will depend upon the willingness and capability of the new mixture of 3rd and 4th Generation party leadership in Beijing to pursue direct and mutually-beneficial links with Taiwan.

Notes

[1] Office of the President, ROC-Taiwan (Taipei), October 10, 2002.

[2] Yihong Zhang, "China's rising military forces," Jane's International Defense Review (London), August 2002, pp. 36-39 and David Lague, "China-Taiwan Arms Race," Far Eastern Economic Review (Hong Kong), December 12, 2002, pp. 32-35.

[3] Hsi Yang, "Taiwan military to 'defend independence' by force," Ta Kung Pao (Hong Kong), May 27, 2002.

[4] "President Bush pledges defense of Taiwan," Washington Post, April 24, 2001.

[5] Mainland Affairs Council News Briefing (Executive Yuan, Taipei), # 0298, August 26, 2002, p. 2.

[6] People's Daily (Beijing), October 28, 2002.

[7] see Gordon C. Chang, The Coming Collapse of China (New York: Random House, 2001).

[8] Susan Lawrence, "16th Party Congress," Far Eastern Economic Review, November 28, 2002, pp. 28-32 and Nan Li, "Jiang stayed to help Hu deal with PLA," Straits Times (Singapore), November 30, 2002.

[9] Agence France Press, Crawford (Texas), October 25, 2002.

[10] Robert Henderson, "Will China use force against Taiwan?" CISS Strategic Datalink, # 86, February 2000.

[11] see Oliver Chou, "Elite PLA generals take charge of Taiwan front," Straits Times, November 29, 2002.

[12] On December 9th, 2002, the Chinese government issued a white paper China's National Defense in 2002, which stated that "the Taiwan separatist force is the biggest threat to peace and stability in the Taiwan Straits" (People's Daily, December 9, 2002).

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